

## Letter to Unitholders

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We reported Funds From Operations (FFO) of \$193 million or \$0.62 per unit in the first quarter, representing year-over-year growth of 13% per unit. The business continues to perform well across all regions and recent growth initiatives are contributing as expected.

### Operational Expertise

Over the last 5 years, we added 10,500 megawatts, 635 facilities and 1,000 people across 6 geographies. We invested \$2.3 billion of BEP equity capital during this period. To be able to grow at this scale requires an organization with substantial expertise and that prioritizes operational excellence so that acquired assets and people can deliver targeted underwritten returns.

When we make investments, we spend considerable time developing business plans that allow us to make the operations more efficient, drive robust health, safety, security and environmental programs, look for contracting and development opportunities and stabilize the asset level capital structure to reduce financial risk while enhancing operating margins. Accordingly, we are able to provide regular updates on our business that demonstrate ongoing value creation initiatives that are not predicated on growth. We are fortunate to have a business that can provide ongoing growth opportunities and given the scale of the business, we are starting to realize increasing benefits of these efforts in our financial results.

As a result, we are well positioned to deliver FFO per unit growth over the next five years at the high end of our 5% to 9% annual distribution growth targets, without reliance on rising power prices or acquisitions. This comes from inflation escalations in our contracts, margin expansion through revenue growth and cost reduction initiatives, and building out our development pipeline at premium returns.

### Financial Results

Overall the business performed well, with high availability across our fleet, above average generation and the advancement of our organic growth initiatives.

During the first quarter, our hydroelectric segment delivered \$208 million of FFO, \$17 million ahead of prior year, as generation and availability remained strong across our fleet. Overall generation was 6% above the long-term primarily on the back of our North American facilities where, consistent with prior year, generation was particularly strong (10% above the long-term average). Pricing across our portfolio benefitted from inflation indexation of our contracts, as well as improved power prices in Brazil, driving our average realized pricing up 6% compared to last year. Our power marketing teams continue to actively pursue opportunities to sell energy, capacity and related products at a premium to current market prices. We successfully cleared all our eligible capacity into the recent capacity auction in New England, secured new power purchase agreements for our existing assets in Brazil at average prices of R\$260 per megawatt-hour and continued to add duration at our Colombian business by signing several new long-term contracts this quarter, including one new 10-year contract. We continue to advance our development pipeline, substantially commissioning our 28 megawatt Silea Verde 4A facility in Brazil, which is expected to contribute \$3 million to FFO on an annualized basis. We also progressed construction on an additional 49 megawatts in Brazil which should contribute annual FFO of \$11 million once commissioned.

Our wind segment delivered \$37 million of FFO in the first quarter – \$7 million ahead of prior year due to the contributions from our investment in TerraForm Power and TerraForm Global. Generation across our

wind fleet was in-line with prior year on a same-store basis as our operations benefitted from a high degree of diversification. We also benefitted from 50 megawatts of new wind capacity that we commissioned in Europe in 2017. We continue to leverage our marketing expertise in Brazil to re-contract existing facilities in the free market at much higher prices than the current regulated market. This initiative is expected to contribute  $\pm$ \$6 million to FFO in 2018. We also received regulatory approval to increase the interconnection capacity from our newly acquired Brazilian wind farms, which should result in an incremental 24 gigawatt-hours per year of generation and  $\pm$ \$2 million to FFO annually. We continue to progress 47 megawatts of development projects in Ireland and Scotland which, in aggregate, are expected to contribute \$6 million to FFO on an annualized basis once online.

Q1 represented the first full quarter of contributions from our newly acquired solar facilities from TerraForm Power and TerraForm Global, contributing \$10 million to FFO. The facilities have been performing well, with high availability and generation in-line with expectations. This quarter, we also announced that we have established a 50:50 joint venture with China's largest warehouse operator to develop rooftop solar on their logistics facilities in the country. Through this partnership, we are targeting to develop and operate 300 megawatts of capacity over the next three years, and based on our estimates of GLP's rooftop space, believe there is a broader 1 gigawatt development pipeline. This partnership represents an opportunity to expand our footprint in China in a measured way, as well as grow our capabilities in the commercial and industrial distributed generation sector.

Our storage facilities delivered \$5 million of FFO during the first quarter, which is ahead of prior year following our investment in the First Hydro pumped storage facilities in the U.K. in the second half of 2017 and improved capacity pricing at our Bear Swamp facilities in New England. Our First Hydro facilities continued to have strong availability particularly during the period of very cold weather in March, highlighting the value of these facilities as essential providers of scale, back-up generation and ancillary services. We are leveraging our deep operating expertise to work with our partner to optimize revenues through asset operations, dispatch and trading, which should augment performance over time. We also progressed an upgrade to the capacity of our Bear Swamp pumped storage facility in Massachusetts by 60 megawatts to a total of 660 megawatts to improve its system efficiencies and enhance operating cash flows. As part of this process, we secured a seven-year contract for the capacity of this upgrade and expect to commission the project in 2021. This is expected to contribute an additional \$3 million to FFO annually and should deliver returns of greater than 20%.

## Balance Sheet, Liquidity and Interest Rates

Our balance sheet remains strong with \$1.7 billion of available liquidity at quarter-end, and we continue to maintain access to diverse sources of capital.

Though overall markets currently are more volatile than they have been, we continue to see very strong demand for renewable power assets globally, and particularly strong bids for contracted renewable assets. As a result, we may look to opportunistically sell mature or non-core assets and redeploy this capital in our core markets at attractive returns. As with the sale of the two Irish wind farms in the prior year, the strategy of redeploying recycled capital from mature or non-core de-risked assets into new, value-based opportunities is one that we expect to execute on going forward.

We took advantage of strong market conditions early in the quarter and raised over \$1.5 billion in the capital markets. This included \$1.3 billion of non-recourse financings, which extended the average duration of our non-recourse debt to 10.3 years and reduced our average cost of non-recourse debt to 5.8%. As such, the business is well protected from a rising rate environment.

One of our principal priorities when we acquire a new business is to de-risk the balance sheet. As such, during the quarter, Isagen issued COP 750 billion (approximately US\$260 million) of long-term non-amortizing debt in the local markets, extending the average term of Isagen's debt to 7 years, and reducing the cost of debt by over 40 basis points. At TerraForm Global, we issued \$400 million of 8-year notes at 6.125%. Along with cash on the balance sheet, proceeds were used to repay TerraForm Global's existing \$760 million of 9.75% notes. This financing has resulted in annual interest savings of approximately \$50 million and a more stable long-term capital structure for TerraForm Global.

We have always focused on maintaining a strong, investment grade balance sheet with ample liquidity to ensure downside protection, preservation of capital, and stable cash flows through economic cycles. By underwriting with a focus on financing our projects with long-term fixed rate debt, the current rising interest rate environment does not affect the expected returns on our investments. Additionally, following our recent financings, we have no material maturities in the near term. We also have minimal interest rate exposure having locked-in low, long-term rates over the last several years. Accordingly, today only 13% of our debt is floating rate, of which less than 6% is in North America and Europe. As such, our business is very well protected from a rising rate environment. As a reference, a 300 basis points increase in interest rates would impact our FFO by less than 3%. Although markets are volatile, we have built a highly stable business with the ability to fund our growth through current available liquidity and internally generated cash flows.

## Outlook

We continue to focus on executing our key priorities, including advancing our development pipeline and enhancing cash flows from our existing business. We also continue to assess acquisition opportunities, always looking for investments in markets where capital is scarce, and where we can add value through our operating expertise.

We expect the combination of the changing power grid and rising rate environment to create significant opportunities for value-oriented investors. As a result, we are taking a selective approach to our acquisition program, while continuing to position our investment strategy and balance sheet such that we can capitalize on periods of stress to buy high-quality assets at below replacement cost.

Thank you for your continued support, and I look forward to updating you on our progress next quarter.

Sincerely,



Sachin Shah  
Chief Executive Officer

May 3, 2018

### **Cautionary Statement Regarding Forward-looking Statements**

*This unitholder letter contains forward-looking statements and information within the meaning of Canadian provincial securities laws and "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995 and in any applicable Canadian securities regulations. The words "will", "should", "could", "potential", "tend to", "target", "future", "growth", "expect", "believe", "goal", "plan", derivatives thereof and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify the above mentioned and other forward-looking statements. Forward-looking statements in this unitholder letter include statements regarding the quality of Brookfield Renewable's and its subsidiaries' businesses and our expectations regarding future cash flows and distribution growth. They include statements regarding the expected benefits to unitholders of re-financing debt at low, long-term interest rates in a rising rate environment, as well as acquisitions, the availability of acquisition opportunities, the timing and progress towards completion of acquisitions and the development of comprehensive business plans with respect to newly acquired assets and businesses. They also include statements regarding the progress towards completion of development projects, including by way of joint ventures with institutional partners, and the expected contribution of development projects to future generation capacity and cash flows as well as statements regarding the prospects of future growth in new markets. Additionally, they include statements regarding the expected benefits to Brookfield Renewable of redeploying recycled capital from non-core or mature de-risked assets into new, value-based opportunities. Although Brookfield Renewable believes that these forward-looking statements and information are based upon reasonable assumptions and expectations, you should not place undue reliance on them, or any other forward-looking statements or information in this unitholder letter. The future performance and prospects of Brookfield Renewable are subject to a number of known and unknown risks and uncertainties. Factors that could cause actual results of Brookfield Renewable to differ materially from those contemplated or implied by the statements in this unitholder letter include economic conditions in the jurisdictions in which we operate; our ability to sell products and services under contract or into merchant energy markets; weather conditions and other factors which may impact generation levels at our facilities; our ability to grow within our current markets or expand into new markets; our ability to complete development and capital projects on time and on budget; our inability to finance our operations or fund future acquisitions due to the status of the capital markets; the ability to effectively source, complete and integrate new acquisitions and to realize the benefits of such acquisitions; health, safety, security or environmental incidents; changes to government regulations; regulatory risks relating to the power markets in which we operate, including relating to the regulation of our assets, licensing and litigation; risks relating to our internal control environment; our lack of control over all of our operations; contract counterparties not fulfilling their obligations; and other risks associated with the construction, development and operation of power generating facilities.*

*We caution that the foregoing list of important factors that may affect future results is not exhaustive. The forward-looking statements represent our views as of the date of this unitholder letter and should not be relied upon as representing our views as of any subsequent date. While we anticipate that subsequent events and developments may cause our views to change, we disclaim any obligation to update the forward-looking statements, other than as required by applicable law. For further information on these known and unknown risks, please see "Risk Factors" included in our Form 20-F.*

### **Cautionary Statement Regarding Use of Non-IFRS Measures**

*This unitholder letter contains references to Funds From Operations (FFO) and Funds From Operations per Unit, which are not generally accepted accounting measures under IFRS and therefore may differ from definitions of Funds From Operations and Funds From Operations per Unit used by other entities. We believe that these are useful supplemental measures that may assist investors in assessing the financial performance and the cash anticipated to be generated by our operating portfolio. Neither Funds From Operations nor Funds From Operations per Unit should be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, analysis of our financial statements prepared in accordance with IFRS.*

*References to Brookfield Renewable are to Brookfield Renewable Partners L.P. together with its subsidiary and operating entities unless the context reflects otherwise.*